

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 224

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE HAWKER

Introduced: 2/5/16

Referred: Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to income of the Alaska permanent fund; relating to the disposition of income of the Alaska permanent fund; establishing and relating to the distribution account; relating to the calculation of permanent fund dividends; relating to the dividend fund; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* **Section 1.** AS 37.13.140 is amended to read:

Sec. 37.13.140. Income and distribution. Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. **Money** [INCOME] available for distribution equals **4.5** [21] percent of the **average market value** [NET INCOME] of the **balance of the** fund for the **first** [LAST] five **of the six fiscal years immediately preceding the current fiscal year,** **including any unrealized gains or losses, but excluding that portion of the**

1 **principal of the fund attributed to the settlement of State v. Amerada Hess, et al.,**
 2 **1JU-77-847 Civ. (Superior Court, First Judicial District) on July 1, 2004, as**
 3 **determined at the end of the fiscal year in accordance with generally accepted**
 4 **accounting principles. The distribution under this section** [FISCAL YEARS,
 5 INCLUDING THE FISCAL YEAR JUST ENDED, BUT] may not exceed net income
 6 of the fund for the fiscal year just ended plus the balance in the earnings reserve
 7 account described in AS 37.13.145.

8 * **Sec. 2.** AS 37.13.140 is amended by adding a new subsection to read:

9 (b) The amount available for distribution under (a) of this section shall be used
 10 to satisfy any net deficit of unrestricted general funds in the proposed capital and
 11 operating budgets submitted under AS 37.07.020 for the succeeding fiscal year. The
 12 amount available for distribution and used to satisfy any net deficit of unrestricted
 13 general funds under this subsection shall be used before a capital, operating, or
 14 supplemental budget includes revenue from a personal income tax assessed on state
 15 residents.

16 * **Sec. 3.** AS 37.13.145(b) is amended to read:

17 (b) At the **beginning** [END] of each fiscal year, the corporation shall transfer
 18 from the earnings reserve account to the **distribution account established under**
 19 **AS 43.23.049 the amount** [DIVIDEND FUND ESTABLISHED UNDER
 20 AS 43.23.045, 50 PERCENT OF THE INCOME] available for distribution under
 21 AS 37.13.140.

22 * **Sec. 4.** AS 37.13.145(d) is amended to read:

23 (d) **Income** [NOTWITHSTANDING (b) OF THIS SECTION, INCOME]
 24 earned on money awarded in or received as a result of State v. Amerada Hess, et al.,
 25 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement,
 26 summary judgment, or adjustment to a royalty-in-kind contract that is tied to the
 27 outcome of this case, or interest earned on the money, or on the earnings of the money
 28 shall be treated in the same manner as other income of the Alaska permanent fund,
 29 except that it is not available for distribution **under AS 37.13.140** [TO THE
 30 DIVIDEND FUND OR FOR TRANSFERS TO THE PRINCIPAL UNDER (c) OF
 31 THIS SECTION], and shall be annually deposited into the Alaska capital income fund

1 (AS 37.05.565).

2 * **Sec. 5.** AS 43.23.025(a) is amended to read:

3 (a) By October 1 of each year, the commissioner shall determine the value of
4 each permanent fund dividend for that year, subject to (c) of this section, by

5 (1) determining the total amount available for dividend payments,
6 which equals

7 (A) the amount available for transfer [OF INCOME OF THE
8 ALASKA PERMANENT FUND TRANSFERRED] to the dividend fund
9 under AS 43.23.049(c) [AS 37.13.145(b)] during the current year;

10 (B) plus the unexpended and unobligated balances of prior
11 fiscal year appropriations that lapse into the dividend fund under
12 AS 43.23.045(d);

13 (C) less the amount necessary to pay prior year dividends from
14 the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and
15 43.23.055(3) and (7);

16 (D) less the amount necessary to pay dividends from the
17 dividend fund due to eligible applicants who, as determined by the department,
18 filed for a previous year's dividend by the filing deadline but who were not
19 included in a previous year's dividend computation;

20 (E) less appropriations from the dividend fund during the
21 current year, including amounts to pay costs of administering the dividend
22 program and the hold harmless provisions of AS 43.23.075;

23 (2) determining the number of individuals eligible to receive a
24 dividend payment for the current year and the number of estates and successors
25 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

26 (3) dividing the amount determined under (1) of this subsection by the
27 amount determined under (2) of this subsection.

28 * **Sec. 6.** AS 43.23.025 is amended by adding new subsections to read:

29 (c) Notwithstanding the amount calculated under (a) of this section, the
30 amount of each permanent fund dividend may not exceed \$2,000, and, based on the
31 combined value of the constitutional budget reserve fund (art. IX, sec. 17, Constitution

of the State of Alaska) and the statutory budget reserve fund (AS 37.05.540), including unrealized gains or losses, determined in accordance with generally accepted accounting principles on December 31 of the calendar year immediately preceding the current year, the amount of each permanent fund dividend shall be further limited as follows:

(1) if the combined value is less than \$2,500,000,000, then the amount of each permanent fund dividend may not exceed \$250;

(2) if the combined value is at least \$2,500,000,000 but less than \$5,000,000,000, then the amount of each permanent fund dividend may not exceed \$500;

(3) if the combined value is at least \$5,000,000,000 but less than \$7,500,000,000, then the amount of each permanent fund dividend may not exceed \$750;

(4) if the combined value is at least \$7,500,000,000 but less than \$10,000,000,000, then the amount of each permanent fund dividend may not exceed \$1,000;

(5) if the combined value is at least \$10,000,000,000 but less than \$12,500,000,000, then the amount of each permanent fund dividend may not exceed \$1,250;

(6) if the combined value is at least \$12,500,000,000 but less than \$15,000,000,000, then the amount of each permanent fund dividend may not exceed \$1,500;

(7) if the combined value is \$15,000,000,000 or more, then the amount of each permanent fund dividend may not exceed \$2,000.

(d) Notwithstanding the amount calculated under (a) or (c) of this section, the amount of the permanent fund dividend shall be zero if a personal income tax is assessed on state residents during the fiscal year in which the permanent fund dividend is to be distributed.

* **Sec. 7.** AS 43.23 is amended by adding a new section to read:

Sec. 43.23.049. Distribution account. (a) The distribution account is established as a separate account in the general fund. The distribution account shall be

1 administered by the commissioner and shall be invested by the commissioner in the
 2 same manner as provided in AS 37.10.070. The distribution account consists of money
 3 transferred under AS 37.13.145(b) and other money appropriated to the account.

4 (b) On July 1 of each year, the department shall transfer the amount
 5 appropriated to satisfy any net deficit of unrestricted general funds as provided under
 6 AS 37.13.140(b) from the distribution account to the general fund. The amount
 7 available for distribution and used to satisfy any net deficit of unrestricted general
 8 funds under this subsection shall be transferred before a capital, operating, or
 9 supplemental budget includes revenue from a personal income tax assessed on state
 10 residents.

11 (c) On October 1 of each year, after a transfer under (b) of this section, the
 12 department shall, subject to appropriation, transfer the amount necessary to pay
 13 permanent fund dividends and administrative and associated costs, as calculated under
 14 AS 43.23.025, from the distribution account to the dividend fund established under
 15 AS 43.23.045.

16 (d) Nothing in this section prohibits the legislature from making an
 17 appropriation to the dividend fund established under AS 43.23.045 from a source other
 18 than the distribution account.

19 (e) Unless specified otherwise in an appropriation act, if appropriations from
 20 the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) have not
 21 been repaid, the unexpended and unobligated balance of the distribution account shall
 22 be deposited into the budget reserve fund under art. IX, sec. 17(d), Constitution of the
 23 State of Alaska, at the end of the fiscal year. If previous appropriations from the
 24 budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) have been
 25 repaid, the unexpended and unobligated balance of the distribution account shall be
 26 transferred to the statutory budget reserve fund (AS 37.05.540) at the end of the fiscal
 27 year.

28 * **Sec. 8.** AS 37.13.145(c) is repealed.

29 * **Sec. 9.** This Act takes effect June 30, 2016.